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DTZ and JLL were commissioned by the Manager to prepare a report on the retail and office property market in Beijing and a report on the serviced apartment property market and hotel industry in Beijing, respectively.

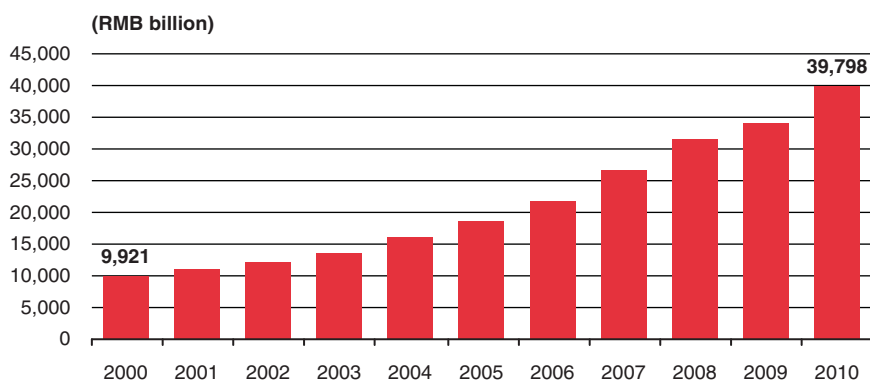
The following is primarily based on the letter from DTZ in relation to the retail and office property market in Beijing and the letter from JLL in relation to the serviced apartment property market and hotel industry in Beijing, the full text and sources of which are set out in Appendices VI and VII to this Offering Circular, respectively.

The Manager believes that the sources of certain information below are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Manager has no reason to believe that such information is false or misleading or there is omission of any other information which will render the information below to be false or misleading. The information has not been independently verified by the Manager, the Trustee, the Joint Listing Agents or any other party (except for DTZ and JLL as appropriate in respect of the relevant parts of their letters) involved in the Offering and no representation is given as to its accuracy.

PRC Economic Overview

In the last 25 years, the PRC government has introduced a series of market reforms aimed at liberalising China's economy. China's evolution from a centrally planned economy into a more liberalised market economy was further accelerated when China became a member of the World Trade Organisation in 2001. From 2000 to 2010, China's nominal GDP experienced a CAGR of approximately 14.9%.

China's annual GDP from 2000 to 2010

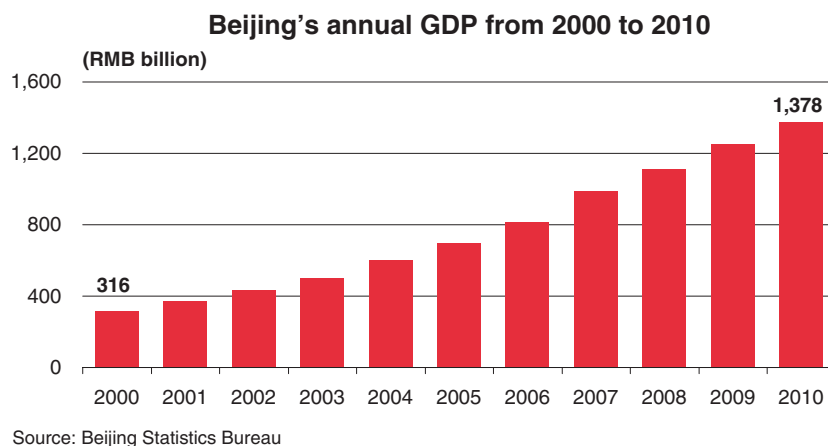
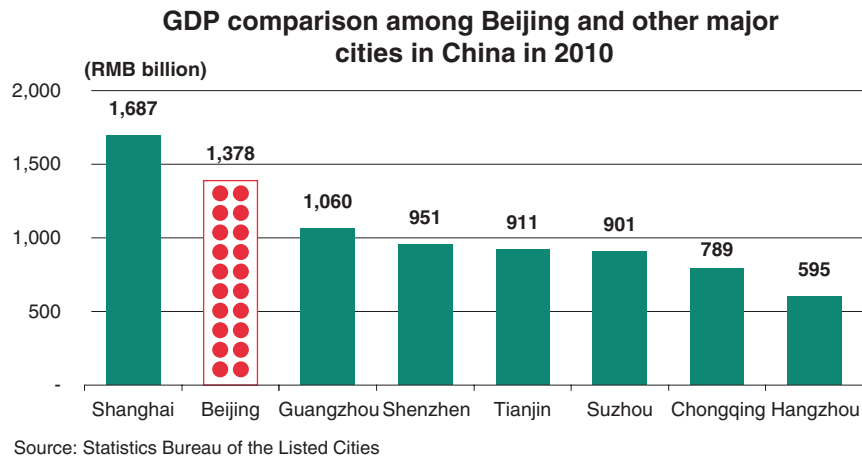


Data Source: National Statistical Bureau

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Beijing Economic Overview

A metropolis in northern China, Beijing is a time-honoured, cultural city, as well as the political capital and one of the economic centres of China. With a population of approximately 20 million residents as at the end of 2009, Beijing is governed as a municipality under the direct administration of the central government. Beijing has a co-leadership role in the Bohai Rim Economic Circle, one of the most economically prosperous zones in China. In addition, Beijing is a key beneficiary of population inflows from the Bohai Rim Economic Circle.



Beijing's economy has grown rapidly from 2000 to 2010, with its nominal GDP experiencing a CAGR of approximately 15.9% during that period, and is one of the fastest growing economies in China. In 2010, Beijing's GDP was approximately RMB1,378 billion, second in China only to Shanghai.

According to the Beijing Statistics Bureau, Beijing's nominal GDP grew by approximately 13.4% in 2010 compared with the corresponding period in 2009, an indication of continued economic development. As the effects of the global financial crisis continue to fade away, Beijing's economy is anticipated to continue to enjoy rapid development, maintaining strong fundamentals for Beijing's real estate market over the long term.

Beijing's Town Planning and Infrastructure Development

Beijing has a total land area of approximately 16,411 square kilometres and comprises 16 districts, which are further divided into four development areas based on the city's overall planning:

- Main commercial areas: Dongcheng, Xicheng
- Functional developing areas: Chaoyang, Haidian, Shijingshan, Fengtai

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- Newly developing areas: Fangshan, Tongzhou, Shunyi, Changping, Daxing
- Ecological developing areas: Mentougou, Huairou, Pinggu, Miyun, Yanqing

Beijing's districts are conveniently linked via a well-developed public transportation network — the current length of available subway lines exceeds 226 k.m. and is expected to reach 561 k.m. by 2015. Beijing's subway network is one of the key factors to stimulating economic growth, increasing the accessibility of commercial properties and making suburban areas more accessible and thereby extending commercial catchments in core areas.

In addition to the subway network, Beijing's highway and railway networks have developed rapidly, increasing Beijing's connectivity with other cities in China. Beijing's highways totalled 28,484 k.m. as at the end of 2010, of which approximately 903 k.m. were intercity expressways linking Beijing with cities such as Tianjin, Shenyang, Harbin, Chengde, Baotou and Shijiazhuang. As China's railway hub, Beijing has 50 railway lines with total length of approximately 956 k.m. located within Beijing, and lines to, among others, Kowloon, Guangzhou and Shanghai.

Likewise, Beijing's international airport, Beijing Capital International Airport, is the largest, busiest and most advanced international aviation hub in China with approximately 1,400 daily flights and connectivity with 208 international cities. Its three terminals have seen an increase in annual passenger throughput from approximately 1 million in 1978 to approximately 74 million in 2010, making it the third highest in the world.

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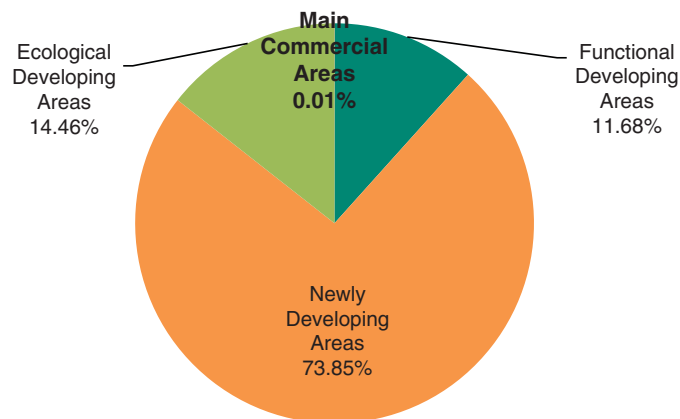
Beijing Real Estate Market

High economic growth has resulted in an increase in disposable income per capita, high growth in urbanisation rates and rapid infrastructure development. These factors have facilitated the growth of Beijing's real estate market. From 2000 to 2010, real estate development investment in Beijing increased from approximately RMB52 billion in 2000 to approximately RMB290 billion in 2010, representing a CAGR of approximately 18.7%.



Data Source: Beijing Statistics Bureau

Transacted Land Area by Areas in Beijing in the First Three Quarters of 2010 in Beijing



Data Source: Beijing Land Administration Center

The urban area of Beijing is situated in the south-central part of the municipality. Such urban area occupies a small but expanding part of the municipality's area. It spreads out in bands of concentric ring roads, starting from the Second Ring Road to the Sixth Ring Road. Running through central Beijing from east to west is Chang'an Avenue, one of Beijing's main thoroughfares. Land available for development is limited in the main commercial areas of Beijing, especially in areas such as Wangfujing/East Chang'an Avenue, Central Business District ("CBD") and Financial Street, with land transactions in main commercial areas accounting for approximately 0.01% of total land transacted in the first three quarters of 2010.

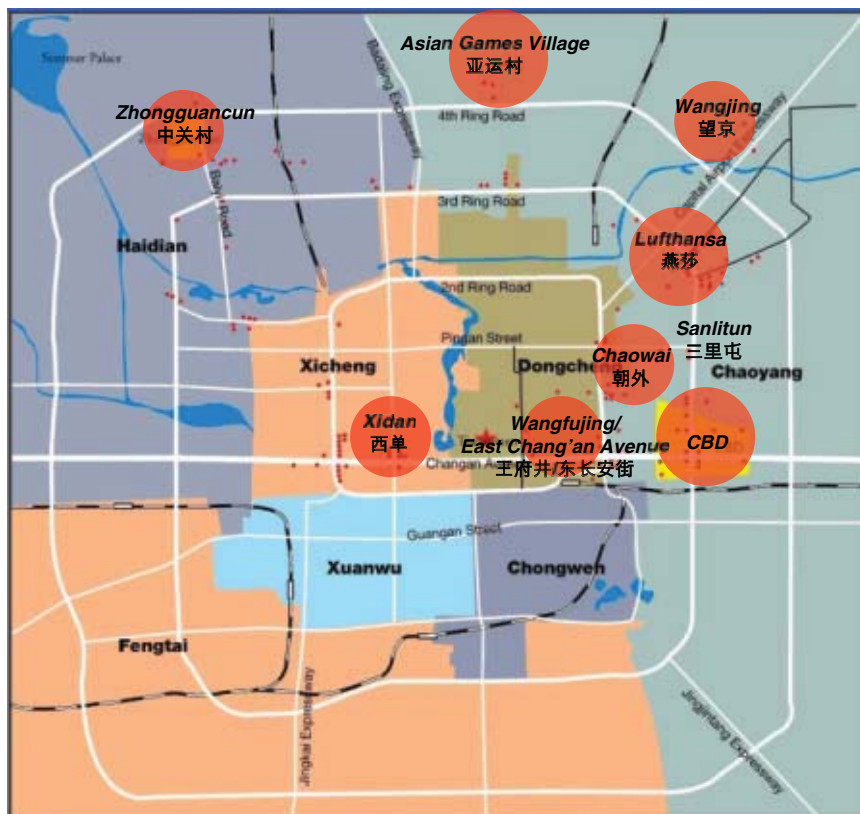
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Beijing High-end Retail Property Market

Overview

The high-end retail property market in Beijing consists of shopping centres and department stores with GFA of over 30,000 sq. m., with shopping centres being the popular retail type for consumers. High-end retail properties are mainly concentrated in eight shopping districts in Beijing, namely Wangfujing/East Chang'an Avenue, Xidan, CBD, Lufthansa, Chaowai, Zhongguancun, Wangjing and the Asian Games Village. According to DTZ, as at the end of 2010, the total stock of high-end retail property reached over 6.6 million sq. m. (gross floor area), of which shopping centres accounted for approximately 70.0% of the total stock.

Major Retail Property Submarkets in Beijing

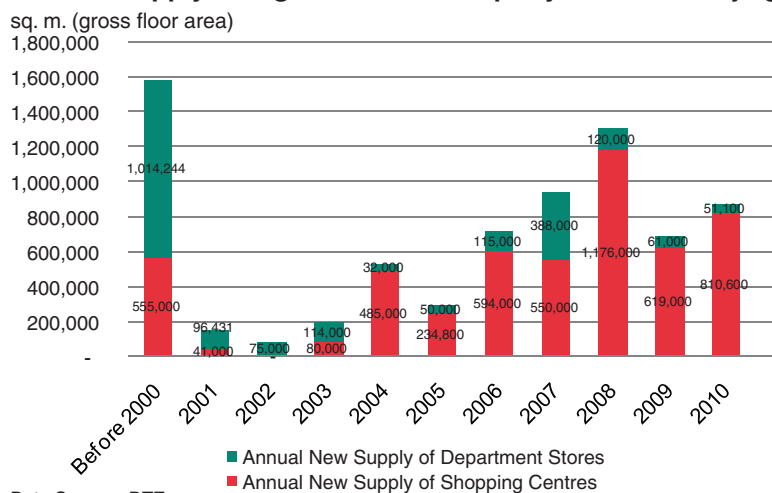


Source: DTZ

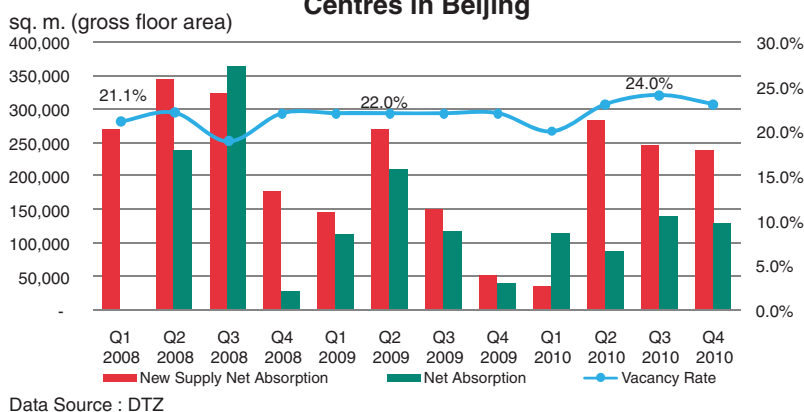
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Supply, Absorption and Vacancy

Annual Supply of High-end Retail Property Market in Beijing



Supply, Net Absorption and Vacancy Rate of Shopping Centres in Beijing



New supply of shopping centres has far surpassed the new supply of department stores since 2004. In 2008, the new supply of shopping centres exceeded its historical peak and reached approximately 1,180,000 sq. m. (gross floor area), which was much higher than that of department stores at 120,000 sq. m. (gross floor area).

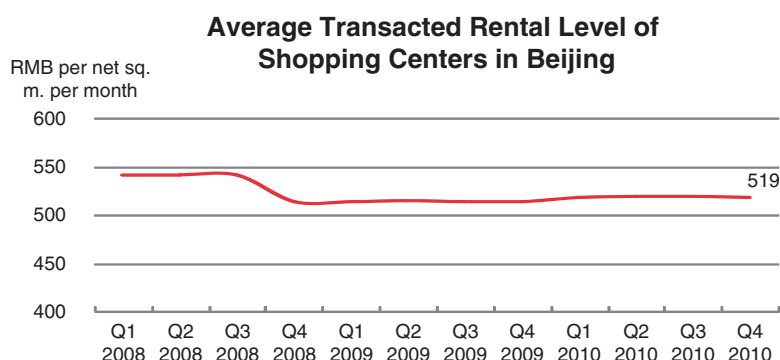
With strong demand for shopping centres, there is also an abundant supply of retail properties in Beijing. In 2009, the supply of new shopping centres was approximately 619,000 sq. m. (gross floor area) whilst net absorption of the shopping centres reached approximately 483,000 sq. m. (gross floor area).

In the fourth quarter of 2010, the vacancy rate of shopping centres was approximately 23.0%. Mature retail projects, such as The Malls which still maintains a 100.0% committed occupancy level and a significant competitive advantage with a long waiting list of potential tenants, remain unaffected by the new supply. The vacancy rate is expected to decrease as a result of the limited supply of retail space from 2012 to 2013.

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Average Transacted Rental Levels

The average transacted rental level of shopping centres fell from approximately RMB541 per net sq. m. per month in the third quarter of 2008 to approximately RMB515 per net sq. m. per month in the fourth quarter of 2008 during the global financial crisis. As at the fourth quarter of 2010, the average transacted rental level of high-end shopping centres recovered to approximately RMB519 per net sq. m. per month.



Data Source : DTZ

Average Asking Rental Range of ground floor shops of High-end Retail Property Submarkets in Beijing in the fourth quarter of 2010

| Submarket | Average asking rental range (RMB per net sq.m. / mth) | Representative retail properties |
|-----------------------------------|---|--|
| Wangfujing / East Chang'an Avenue | RMB780-2,400 | The Malls at Oriental Plaza, Beijing APM |
| Xidan | RMB350-1,000 | Zhongyou Department Store, Grand Pacific Department Store |
| CBD | RMB350-1,500 | China World Shopping Malls, Shin Kong Place, Yintai Centre |
| Lufthansa | RMB280-900 | Youyi Shopping Centre |
| Chaowai | RMB500-800 | Shangdu International Center, Blue Island Mansion |
| Zhongguancun | RMB280-700 | Jinyuan Shopping Mall, Zhongguancun Plaza |
| Wangjing | RMB250-700 | Jiamao Shopping Center, Focus Square |
| Asian Games Village | RMB250-750 | Beichen Shopping Center, Piaoliang Shopping Center |

Date Source: DTZ

According to DTZ, approximately 1,249,000 sq. m. (gross floor area) will be launched in the market from 2011 to 2013 (approximately 1,000,000 sq. m. (gross floor area) of which will be launched in 2011). As a result, Beijing's retail property market, especially newly launched retail projects, will face fierce competition in the six months following January 2011, which will result in an increase in the vacancy rate and a decrease in the growth rate of rental levels.

Abundant supply of retail properties in 2011 will place huge pressure on new retail real estate projects that are still on the drawing board or in the development pipeline. However, DTZ anticipates that the operations and rental levels of developed retail properties such as The Malls will not be adversely affected, particularly for those retail properties located in Wangfujing/East Chang'an Avenue submarket where the retail property supply is limited, accounting for only approximately 14.3% of the total future supply in Beijing.

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Wangfujing/East Chang'an Avenue Retail Property Submarket

Overview

Wangfujing Street has over 700 years of history, and has been an important retail street for the last 100 years. The street's reputation will be a key driver for further retail property market development in the Wangfujing / East Chang'an Avenue submarket.

As a result of its historical standing and good reputation, Wangfujing / East Chang'an Avenue retail street has become the most popular shopping destination in Beijing for locals and international tourists.

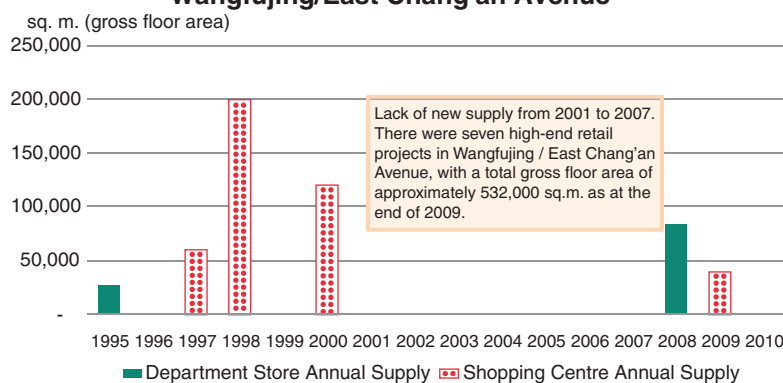
Plenty of famous retail projects are located in this submarket, for example, The Malls, the Beijing APM and the Wangfujing Department Store etc.

The government has also laid out a detailed and rational plan for future retail development around the Wangfujing area. The plan is proceeding gradually, with the aim of building a branded, characteristic business core area with a rational layout.

Daily customer flow averages at approximately 200,000 on working days and approximately 250,000 to 300,000 during weekends and public holidays, accounting for an annual customer flow of approximately 70 to 90 million.

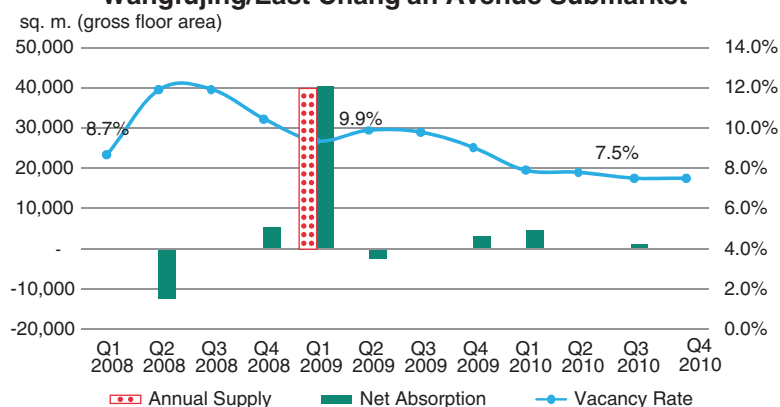
Supply, Absorption and Vacancy

Annual New Supply of High-end Retail Properties in Wangfujing/East Chang'an Avenue



Data Source: DTZ

Supply, Net Absorption and Vacancy Rate of Shopping Centres in Wangfujing/East Chang'an Avenue Submarket



Data Source: DTZ

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According to DTZ, as at the end of 2009 there were a total of seven high-end retail projects in Wangfujing / East Chang'an Avenue submarket, with a total GFA of approximately 532,000 sq. m., of which shopping centres accounted for approximately 80.0%.

During 2008 to 2010, few new shopping centres came onto the market in the Wangfujing/East Chang'an Avenue submarket. Meanwhile, the net absorption of shopping centres remained relatively stable. The high-end shopping centres performed well in the submarket, with a high occupancy rate of approximately 90.7% on average, far higher than the retail properties in Beijing on average.

As at the fourth quarter of 2010, the vacancy rate of Wangfujing/East Chang'an Avenue retail property submarket averaged at approximately 7.5%, significantly lower than the Beijing total retail property market vacancy rate of approximately 24.0% in the same period.

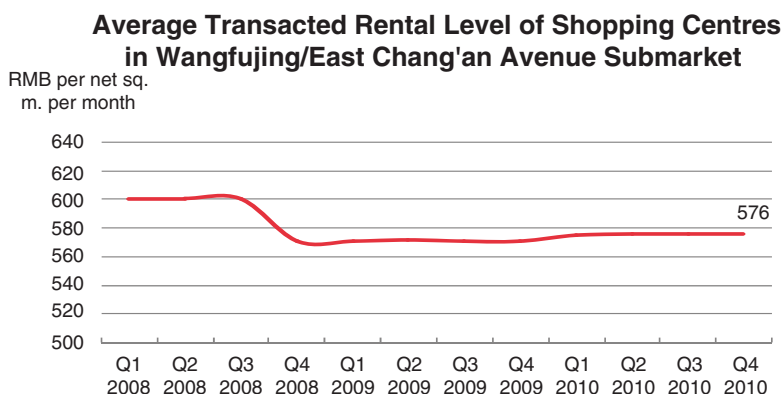
Supply and Rental Forecast

According to DTZ, the future supply of high-end retail properties in Wangfujing/East Chang'an Avenue submarket from 2011 to 2013 is forecast to be approximately 179,000 sq. m. (gross floor area), approximately 33.3% of current stock, largely comprising shopping centres.

Even with the new supply of high-end retail properties, DTZ is of the view that there will be little market pressure in the future based on the following four reasons:

1. New completions have been anticipated for some time due to the limited supply during the period 2000 to 2008 in the submarket.
2. Strong operating track record of the retail property market in Wanfujing/East Chang'an Avenue submarket.
3. New completions are expected to be launched over the next three to four years (i.e. from 2011 to 2014), allowing sufficient time for market absorption.
4. All future projects are forecast to be high-end quality, which will upgrade the quality of this retail property submarket. Meanwhile, the aggregation effect will help to drive up the rental levels in the region.

Transacted rental levels have historically been high for shopping centres in the Wangfujing/East Chang'an Avenue submarket and remain the highest among all the major submarkets (for example, Xidan and CBD) in Beijing. In the fourth quarter of 2010, the transacted rental of high-end retail properties in the Wangfujing/East Chang'an Avenue submarket averaged approximately RMB576 per net sq. m. per month. According to DTZ, average transacted rental levels will rise to an average of approximately RMB621 per net sq. m. in 2013 with an average annual growth rate of approximately 2.5% from 2011 to 2013.



Data Source : DTZ

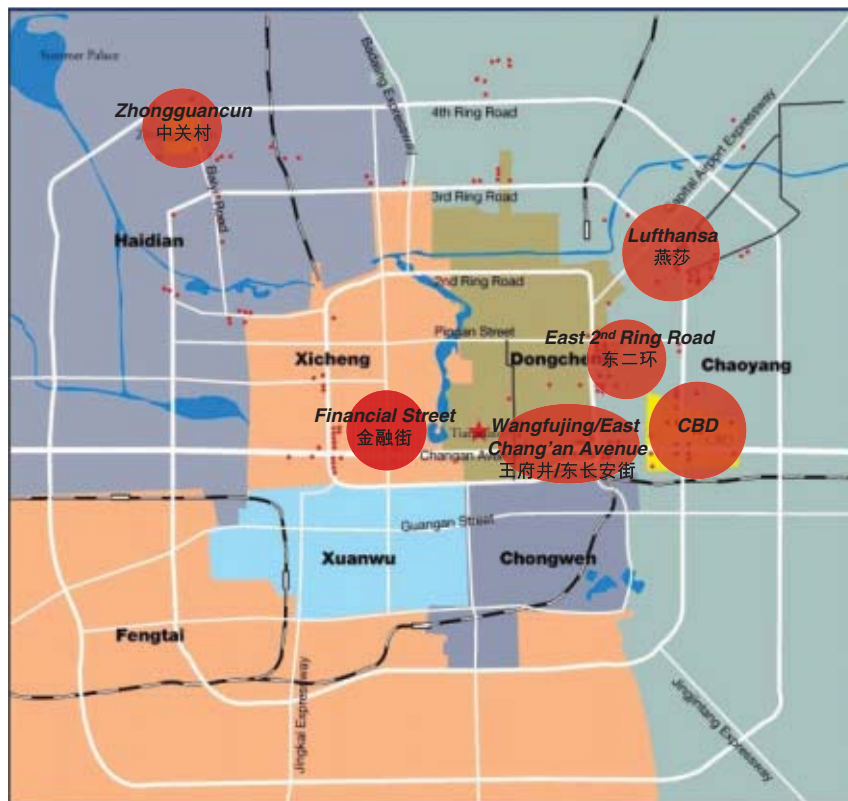
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Beijing Grade A Office Market

Overview

Along with the growth of the urban population, Beijing has enjoyed rapid growth in its employed population which reached approximately 10 million in 2009. The percentage of employees engaged in the tertiary sector rose from approximately 54.6% in 2005 to approximately 73.8% in 2009, an indication that the economy is progressively maturing. The proportion of employees employed in the tertiary sector is expected to rise in the future, which should lead to the continued growth of the Beijing office market.

Major Office Submarkets in Beijing



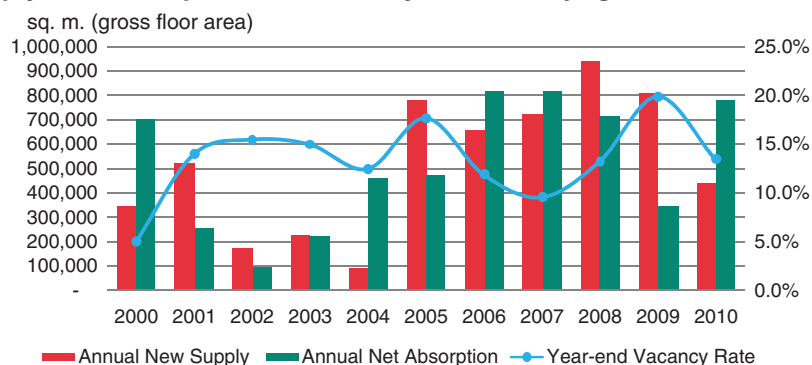
Source: DTZ

Beijing Grade A office towers are distributed across six districts, namely the CBD, Financial Street, Zhongguancun, Lufthansa, East 2nd Ring Road and Wangfujing/East Chang'an Avenue submarkets. To a lesser extent, the Asian Games Village, Wangjing, Advanced Business Park area (Fengtai District) and the Yizhuang economic technical development zone have also developed into business centres. However, these remain slightly inferior in terms of quality, stock, operation and market influence.

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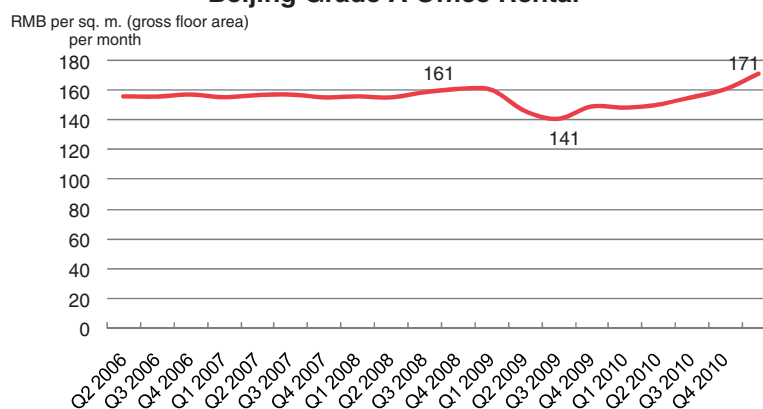
Supply, Absorption and Vacancy

Supply, Net Absorption and Vacancy Rate of Beijing Grade A Office Market



Data Source: DTZ

Beijing Grade A Office Rental



Data Source: DTZ

According to DTZ, prior to 2005 the market was in recession with weak demand for office properties, leading to little new supply. However, in the five years since 2005, an annual average of approximately 780,000 sq. m. (gross floor area) of new supply entered the market, supported by strong office demand in a good economy, and increasing preference from tenants for high quality office spaces. By the end of 2010, total Grade A office stock was approximately 6.6 million sq. m. (gross floor area).

Despite the large supply of completed Grade A offices, average vacancy rate remained relatively low, especially at the end of 2007 when the vacancy rate was approximately 9.6%. However, the global financial crisis during the fourth quarter of 2008 and 2009 caused a significant jump in the vacancy rate to 19.9%. Post-crisis, the average vacancy rate settled at approximately 13.5% in the fourth quarter of 2010.

The transacted rental level of Grade A offices remained high (except during the global financial crisis) and was at a level of approximately RMB159 per sq. m. (gross floor area) per month in 2010, similar to the period from the second quarter of 2006 to the third quarter of 2008, a period of stable growth, where transacted rental levels rose from approximately RMB155 to approximately RMB161 per sq. m. (gross floor area) per month during the same period. According to DTZ, Grade A office rentals are forecast to continue rising in line with the overall economic environment.

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Average Transacted Rental Range for Grade A Offices by Submarkets in Beijing in the fourth quarter of 2010

| Submarket | Average transacted rental (RMB per sq m (gross floor area) / mth) | Representative office properties |
|---|---|---|
| Wangfujing / East Chang'an Avenue | RMB158 | Oriental Plaza, CITIC Building, Scitech Place, COFCO Plaza, Everbright China Chang'an Building |
| CBD | RMB180 | China World Trade Center, Yintai Center, Kerry Center, China Central Place |
| Financial Street | RMB212 | Winland International Financial Center, Fortune Resource International Center, Excel International Financial Center |
| Zhongguancun | RMB141 | Raycom InfoTeck Park, Ideal International Plaza, Tsinghua Technology Plaza |
| Lufthansa | RMB154 | Landmark Tower, Hyundai Motor Tower, Phoenix Square |
| East 2nd Ring Road | RMB172 | Guohua Plaza, CYTS Plaza, Raffles City, Fifth Square |

Data Source: DTZ

Supply and Rental Forecast

According to DTZ, future Grade A office supply in Beijing is expected to be approximately 0.61 million sq. m. (gross floor area) in the next three years (from 2011 to 2013), with nearly half of this located in the CBD area. Most of the future supply is expected to come onto the market in 2011, with limited supply in 2012 and 2013. Hence, there will be limited pressure on the Grade A office market in the coming years. Likewise, the Grade A office vacancy rates are expected to remain low.

Beijing Grade A office rental levels experienced an average year-on-year increase of approximately 3.7% during the period from 2007 to 2010 and are forecast by DTZ to continue to grow annually by approximately 5.2% (including expected future annual inflation rate of approximately 1.5%) over the next three years while vacancy rates are forecast to fall from the levels of approximately 13.5% in the fourth quarter of 2010 to approximately 5.0% in 2013.

Wangfujing/East Chang'an Avenue Grade A Office Submarket

Overview

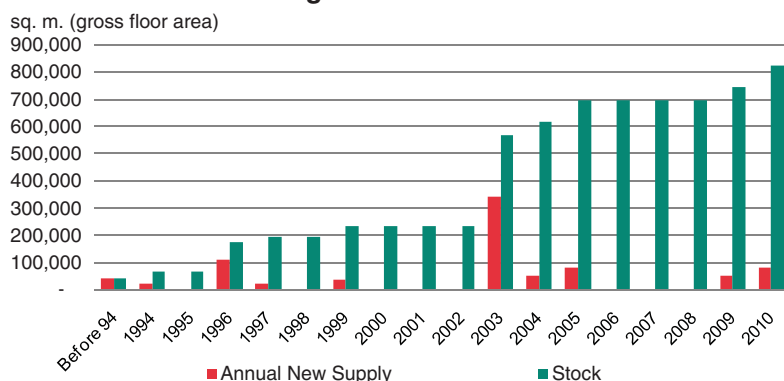
The majority of Grade A office buildings within the submarket are distributed along the Chang'an Avenue and Jianguomenwai Avenue, with good accessibility (four stations of Line 1 are located in the area). The Wangfujing/East Chang'an Avenue submarket is much more mature than the other office submarkets as it developed early, with many high quality office buildings completed in gradual phases. As a result, the submarket's vacancy rate is as low as approximately 10.0%, especially for high quality office buildings such as the China Resources Building, The Tower Offices and LG Twin Towers, which are often fully occupied. The average rental level has been stable over a long period of time.

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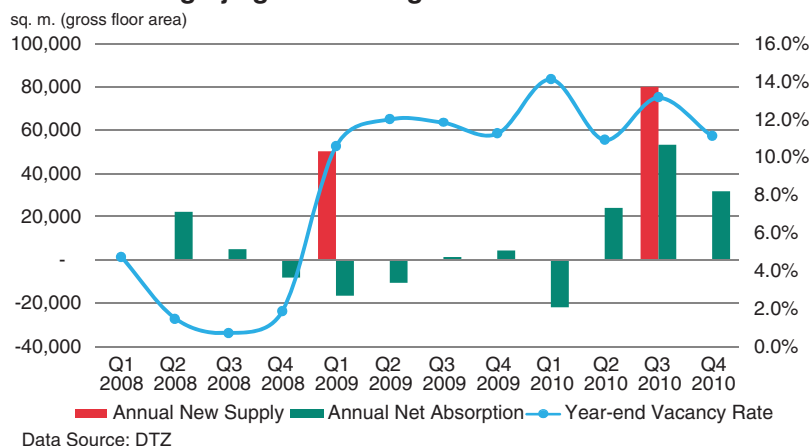
Supply, Absorption and Vacancy

In terms of supply, the market outlook remains positive with few completions over the past seven years — by the end of 2010, the total stock of Grade A office buildings in Wangfujing/East Chang'an Avenue submarket amounted to approximately 825,000 sq. m. (gross floor area).

Annual Supply of Grade A Office Buildings in Wangfujing/East Chang'an Avenue Submarket



Supply, Net Absorption and Vacancy Rate of Grade A Offices in Wangfujing/East Chang'an Avenue Submarket



Notably, annual new supply in 2003 was significantly larger than that in previous years due to the launch of The Tower Offices, with a total office of approximately 300,000 sq. m. (gross floor area). The Tower Offices was appraised as the best office building in Beijing by the Beijing Municipal Bureau of Commerce and the Beijing Administration for Industry and Commerce as soon as it was completed. Since it launched in 2001, the office project has enjoyed an occupancy rate of approximately 95.0% and boasts numerous high quality tenants from the professional services industry, IT industry, and the finance, insurance and investment industry.

Aside from the global financial crisis, office demand in the Wangfujing / East Chang'an Avenue submarket performed relatively well over the period from 2008 to 2010, with vacancy rates as low as approximately 2.2% in 2008. Vacancy rates have increased significantly due to the effects of the global financial crisis and the launch of the Minsheng Financial Center in phases in 2009 and 2010, still remained at a level of approximately 11.9%. As at the fourth quarter of 2010, the vacancy rate of Wangfujing/East Chang'an Avenue submarket was approximately 11.1%.

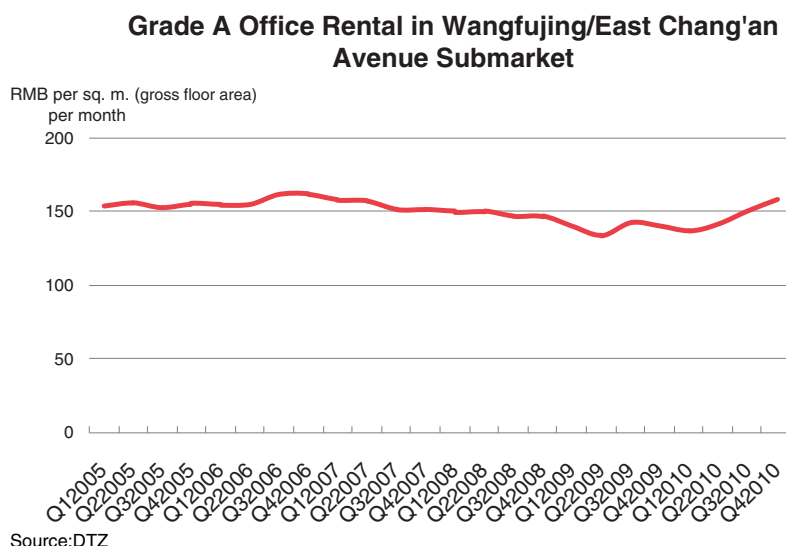
According to DTZ, the average transacted rental levels of the Wangfujing/East Chang'an Avenue Grade A office submarket remained stable over the past five years (i.e. from 2005 to 2010). As at the

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fourth quarter of 2010, the average transacted rental was approximately RMB158 per sq. m. (gross floor area) per month.

Supply and Rental Forecast

DTZ expects most of the future supply of Grade A offices to be located in the CBD area, with no new completions in the Wangfujing/East Chang'an Avenue submarket in the next three years (from 2011 to 2013). Therefore, there will be less competition and market pressure, a positive sign for this Grade A office submarket.



As a result of the limited new supply and low vacancy, average transacted rental of Grade A offices in the Wangfujing/East Chang'an Avenue submarket is forecasted to increase from approximately RMB158 per sq. m. (gross floor area) per month in the fourth quarter of 2010 to approximately RMB184 per sq. m. (gross floor area) per month in the fourth quarter of 2013 with an average annual growth rate of approximately 5.2%, which is comparable to the expected annual rental growth rate of the entire Beijing office market.

Beijing Serviced Apartment Market

Overview

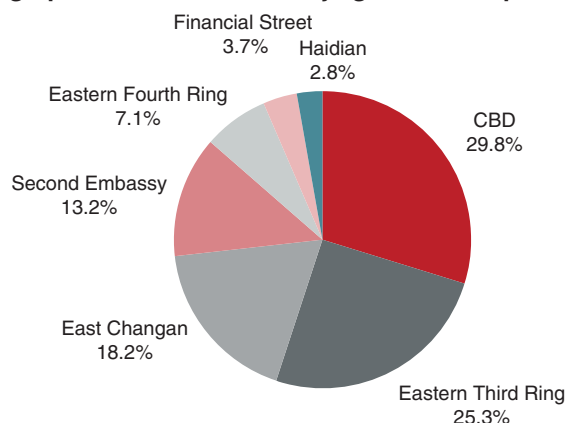
The majority of serviced apartments in Beijing are concentrated along the key commercial districts of Wangfujing/East Chang'an Avenue, Third Embassy Area and the CBD. Less commercially focused locations such as the Second Embassy Area/East Second Ring Road and the East Fourth Ring Road have also become home to serviced apartment developments given their easy access to the key international commercial districts highlighted above. With more foreign enterprises now locating in emergent areas such as Haidian and Financial Street (in the west), these areas have also witnessed new supply of serviced apartments.

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Supply

The chart below illustrates the geographical distribution of key serviced apartment supply in Beijing as at December 2010. The Wangfujing/East Chang'an Avenue submarket makes up over 18.2% of the total supply in Beijing and within this sub-market The Tower Apartments contributed 613 units, making it the largest serviced apartment not only in this sub-market but also the largest in the Beijing market.

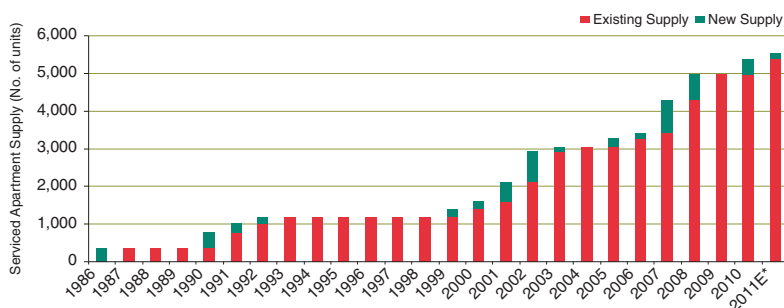
Geographic Distribution of Beijing Serviced Apartment Stock



Source: Jones Lang LaSalle Hotels, Industry Source

The chart below illustrates the historical and projected supply of key serviced apartment projects in Beijing.

Beijing Serviced Apartment Existing Supply



Source: Jones Lang LaSalle Hotels, Industry Source

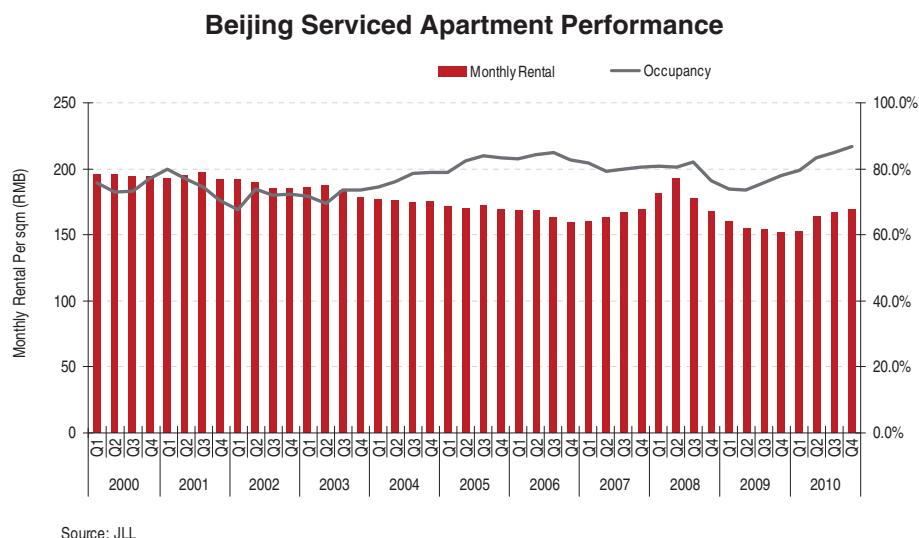
Many international serviced apartment and hotel operators have already established their presence in Beijing and in order to further capture market share many are introducing new brands of varying tiers to the market. This trend will result in further segmentation of the market. For example, Frasers Hospitality opened Fraser Residences CBD East in 2007, followed by Fraser Suites CBD in 2008, and Fraser Place is expected to open in 2011. While these three properties are managed by Fraser, each brand offers a different product and price point.

In 2010, the only new supply of serviced apartments in Beijing was a 407-unit Oakwood Residence located in Dongzhimenwai Xiejie. An additional property, Fraser Place, is expected to have 150 units and to open in 2011. No new supply is expected to open in the Wangfujing area before 2012.

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Market Performance

The graph below illustrates the quarterly performance among a selected sample of 8,427 units of serviced apartments in Beijing between 2000 and 2010.



Occupancy

Between 2000 and 2005 occupancy in the Beijing serviced apartment sector remained relatively stable, oscillating between the 70.0% and 80.0% mark. Unlike the hotel industry which was significantly impacted by the Severe Acute Respiratory Syndrome (“SARS”) epidemic in 2003, the strong share of long term tenants created a buffer for the serviced apartment sector to maintain robust occupancy levels.

Despite high levels of new supply — during the period between 2004 and 2008, 2,000 new serviced apartment units were added to the market bringing total available units in the market from about 3,000 units to close to 5,000 units — occupancy saw a marked upward trend from the second quarter in 2004 to the fourth quarter in 2006 i.e. from approximately 70.0% in the second quarter in 2004 to approximately 85.1% in the fourth quarter in 2006, an increase of approximately 2.0% on average per quarter. Thereafter, the market maintained an occupancy level at approximately 80.0% (between 79.2% and 81.8%), peaking in the third quarter of 2008 at approximately 82.0% boosted by demand generated during the Olympic Games.

This upward trend has continued into 2010 reflecting in part the improved global corporate environment and a relatively stabilised amount of new supply. In line with economic recovery, Beijing has seen a pickup in business activities which is bringing in new expatriates and generating fresh demand for serviced apartments. In the fourth quarter of 2010, the market occupancy reached approximately 86.9%.

Rental Rates

Compared to occupancy levels, serviced apartment rental rates have seen greater fluctuations, reflecting relatively elastic pricing strategies / acceptance by owners and operators. Between the third quarter of 2003 and the third quarter of 2007 the serviced apartment industry saw a relative decline in rental levels. Average rents achieved a record high (approximately RMB226 per sq.m. per month) in the lead up and during the Olympics between the fourth quarter of 2007 and the third quarter of 2008, when many serviced apartments were rented to corporate or diplomatic groups for extended periods of time.

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Due to the negative impact of the global financial crisis and increased competition from the influx of high-end hotel additions, average rental rates started to decrease in the third quarter of 2008 and ended the year at approximately RMB168 per sq.m. per month. This trend continued into 2009 where average monthly rent per sq.m. declined from approximately RMB160 in the first quarter to approximately RMB152 in the fourth quarter of 2009, while average rental rates increased slightly and reached approximately RMB153 in the first quarter of 2010. As occupancy recovered, rents also improved and by the fourth quarter of 2010, average rental rates experienced a solid increase of approximately 11.3% when compared to the same period in 2009 and reached approximately RMB168 per sq.m. per month.

Market Trends and Outlook

As the country's capital and economic powerhouse, Beijing has always attracted and is likely to continue to attract national and regional headquarters of multinational companies, diplomatic representations and non-governmental organisations which have an increasing need for high-end housing. As such, the city has seen an accelerating number of serviced apartments opening up in recent years. Although demand growth has been generally keeping pace with supply, the recent global financial crisis and the consequently heightened cost awareness among multinational companies has resulted in lower demand and price levels in recent years. According to JLL, rental rates have already started to increase, as seen in the results recorded in 2010.

At the hotel-end of the spectrum, strong supply in the hotel sector leading up to the Olympic Games led to intense competition which also impacted the serviced apartments especially for short-term stay demand. Although short-term stay comprises the smallest demand segment for serviced apartments, many properties have responded to the shifting dynamic by allocating resources and offering more flexible service and facilities to capture such demand.

In the short to medium-term, as global economies improve and local markets continue to grow, demand for serviced apartments is anticipated to correspondingly increase. This, combined with a relatively limited pipeline of new serviced apartments entering the Beijing market in the near term, is likely to provide a good basis for occupancy and rate growth.

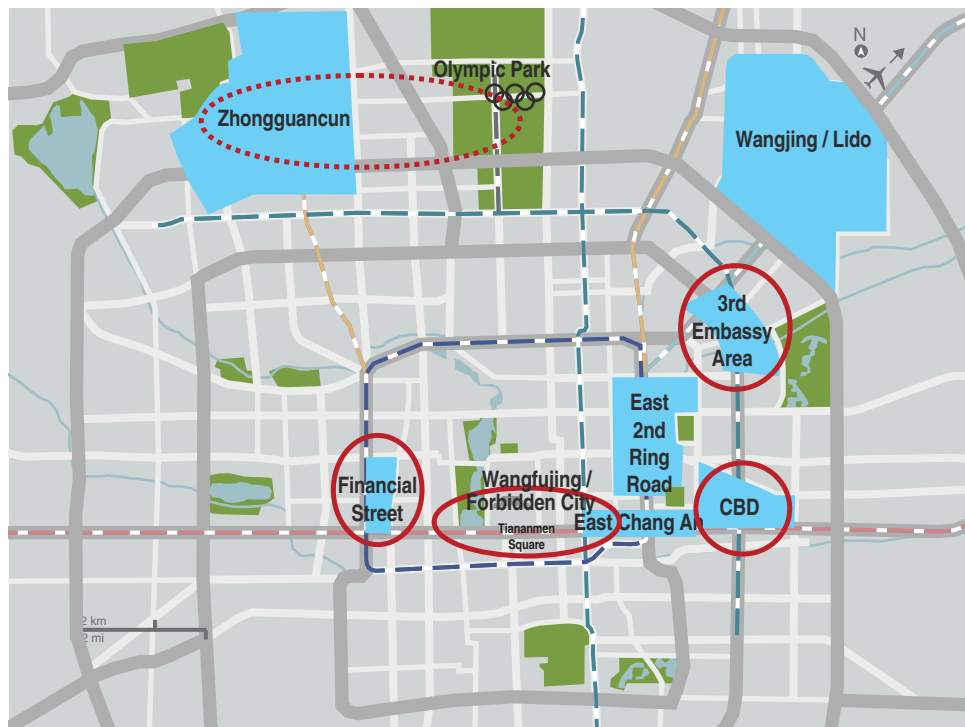
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Beijing Hotel Market

Overview

The majority of Beijing's internationally branded five-star hotels are located in the centre and the east side of the city. The city's hotel market loosely follows the office submarkets, but more focused in the following areas: (1) Dongcheng (including Wangfujing and East Chang'an Avenue), (2) CBD, (3) Xicheng and Financial Street, (4) Liangmaqiao (including the Second and Third Embassy Areas and along North-Eastern Third Ring Road), and (5) Northern and Zhongguancun Area. In addition to these named submarkets, additional ones are taking shape as Beijing continues to expand. However, these new submarkets remain small, from both supply and demand perspectives.

Major Hotel Submarkets in Beijing



Source: JLL

Domestic and International Tourism

In Beijing, domestic visitor growth after 2003 has been steady (an increase of approximately 6.3% on average between 2004 and 2007) although at a slower pace than international tourist arrivals, which grew by approximately 11.3% per annum on average in the same period. In 2007, domestic tourist arrivals reached approximately 142 million. Contrary to international tourist arrivals, domestic tourist arrivals in 2008 were only marginally lower (a decrease of approximately 0.7%) than the year before.

Although domestic visitor arrivals to Beijing were also affected by travel restrictions in the lead up to and during the Olympic Games, they were more resilient to global events, including but not limited to, the worldwide economic downturn. Domestic visitor arrivals saw a significant annual increase in both 2009 and 2010.

Since the significant drop in tourism demand in 2003 as a result of the outbreak of SARS, international arrivals to Beijing have grown steadily. Between 2004 and 2007, international visitor arrivals grew at an impressive double-digit rate of approximately 11.3% per annum on average as referred to above, resulting in a record volume of approximately 4 million arrivals in 2007. In 2008,

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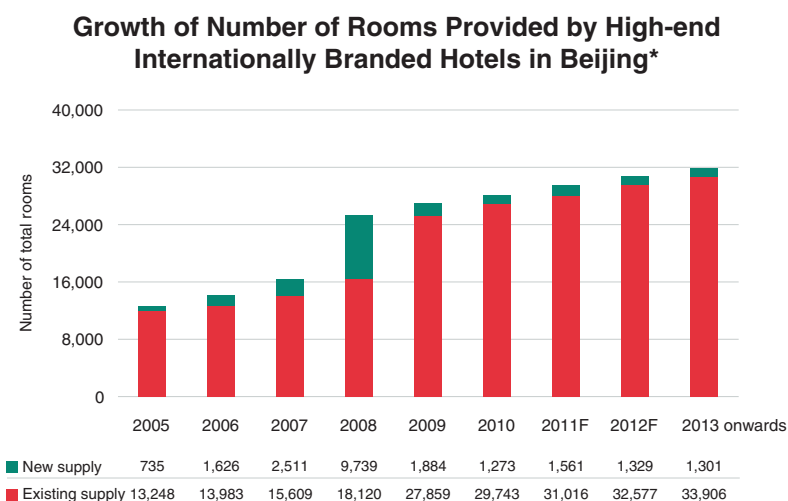
however, this dropped by approximately 13.0%. Tightened visa regulations in the lead up to and during the Olympic Games significantly limited the much anticipated international tourist flow to the city. Moreover, the global financial crisis and the consequently slowing economic development in the third and fourth quarters of 2008 put further restraints on tourist demand.

Despite the on-going impact of the weak global economy, international tourist arrivals to Beijing showed some signs of recovery by the end of 2009. With approximately 4 million arrivals, international travellers were up by approximately 8.8% over 2008. Although still lower than the record volume seen in 2007, international tourist arrivals in 2009 surpassed the number of arrivals in 2006 by approximately 5.7%, thus indicating initial signs of an upswing. Recovery started to gain further momentum in 2010, as international tourist arrivals increased by approximately 18.8% over 2009 reaching a historic record of approximately 5 million.

High-end Hotel Supply

The first internationally-branded, five-star hotel to open in Beijing was the Beijing Great Wall Sheraton hotel located in the present-day Third Embassy Area. Since then, a number of internationally-branded hotels, including the China World Hotel Beijing and Hilton Beijing Hotel opened which largely cater to the growing market of in-bound visitors to Beijing. When Grand Hyatt Beijing opened in 2001, it was the largest five-star hotel to open in Beijing, and along with The Tower Offices, The Tower Apartments and The Malls, created one of the iconic-developments in Beijing.

As at end-December 2009, Beijing offered 757 star-rated hotels based on statistics published by the Beijing Tourism Administration. The graph below charts the growth of number of rooms provided by internationally branded four-and five-star hotels in Beijing:



* As at December 2010; Source: JLL.

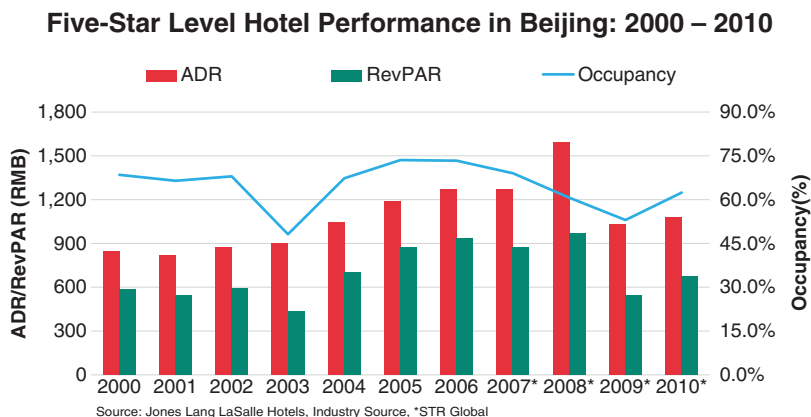
Between 2005 and 2009, Beijing's internationally branded hotel supply grew at a compound average annual change of approximately 20.8%, increasing from 13,983 rooms to 29,743 rooms at the end of 2009. 2008, the year of the Olympic Games, saw the most substantial increase in new supply with close to 10,000 guest rooms being added to Beijing's internationally branded high-end hotel room stock.

In 2009 and 2010, a total of 3,157 rooms of internationally branded high-end hotels entered the Beijing market. A minimum amount of 4,191 new guest rooms are expected to be introduced in 2011 and beyond.

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Five-Star Hotel Performance

The following chart illustrates the performance of five-star level hotels in Beijing. The sample set includes a total of 11,692 rooms in 2010.



Following a strong decline in occupancy in 2003, both ADR (Average Daily Rate) and occupancy quickly recovered and grew by an annual average of approximately 12.2% and approximately 15.0% between 2003 and 2006, respectively. RevPAR, as a consequence, increased by an average of approximately 29.1% per annum in the same period and reached a record level in 2006 at approximately RMB934.

With the opening of new hotels and consequently heightened competition, occupancy started to show first signs of pressure in 2007, having dropped by approximately 5.4 percentage points over the previous year. This trend continued in 2008, despite the Olympics and into 2009 as a result of new supply and global financial crisis. The average occupancy rate in 2009 reached a low point of approximately 53.0%.

Much of the growth in ADR in 2008 can be attributed to the Olympic Games and the premium rates achieved during the summer months. However, when excluding the impact of the Olympics in the month of August (where ADR increased by approximately 248.0% over 2007), year-end ADR and RevPAR results in 2008 recorded a decline as compared to 2007.

Strong competition caused by an influx of new supply entered the market prior to and around the Olympics and reduced travel and travel budgets as a result of the global financial crisis put pressure on Beijing's five-star hotel performance in 2009. The market achieved a full year average occupancy of approximately 53.0% in 2009, average room rates in the order of approximately RMB1,032 and a RevPAR of approximately RMB547. A strong decline in both ADR (a decrease of approximately 18.6%) and occupancy (a decrease of approximately 16.0 percentage points) resulted in a severe drop in RevPAR of approximately 37.5% over the same period in 2007.

After two years of performance decline, the Beijing hotel market finally saw an upswing in performance in 2010. With a moderate amount of hotel openings and impressive growth in international tourism arrivals (an increase of approximately 18.8%), the occupancy rate for the Beijing five-star hotel market witnessed a pronounced increase that started in January of 2010 and reached approximately 62.4% by the end of the year. Continuous improvement in occupancy has provided hoteliers much confidence in adopting more aggressive pricing strategies, which translated into room rate increases in the last two quarters of the year. With the benefit of occupancy and rate growth of approximately 9.4 percentage points and approximately 4.4% respectively, RevPAR for Beijing's five-star hotels increased a solid approximately 22.8% in 2010.

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Market Trends and Outlook

2009 was a challenging year for hotels in China in general and particularly for Beijing. Following the entrance of over 10,000 hotel rooms during the Olympic year, the prevailing global financial crisis caused a worldwide decline in travel demand and resulted in curtailed travel budgets, affecting particularly demand for high-end hotels. Pressure from both the demand and supply side created significant pressure on both occupancy and room rates among Beijing's hotels.

Thus far, 2010 has been a much better year with occupancy improving markedly. On the other hand, this recovery was largely from an occupancy perspective with room rates recovering to a relatively lesser extent. However, it is not uncommon for hotel operators to be cautious in increasing rates until occupancy levels experience more consistent improvements and rates are not able to increase "in time" due to time lapse in pre-committed contracts. Therefore, as mentioned earlier, hoteliers shifted to more aggressive pricing strategies only in the last two quarters of 2010 while occupancy had started to increase already in January.

In light of historical performance, the short to medium term outlook of the market appears to be positive for hotels in Beijing.

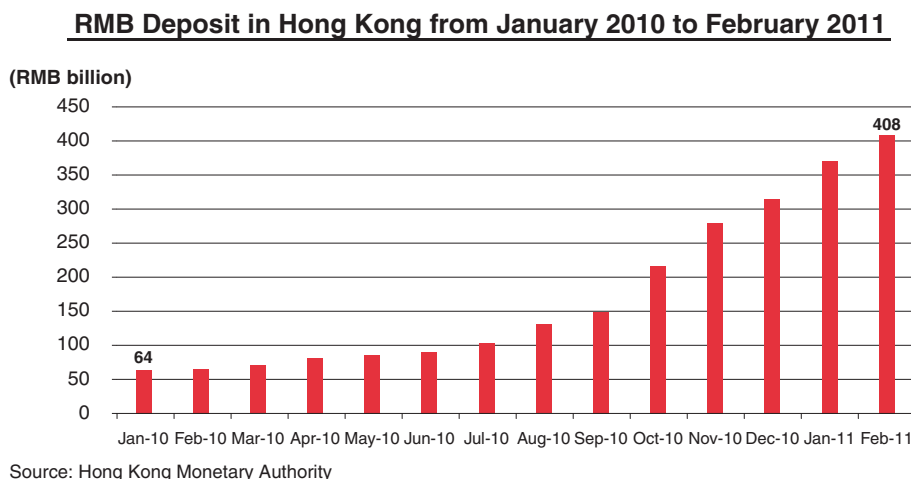
RMB Internationalisation

With its rapid growing economic development, China aims to establish RMB as a global reserve currency in the long term. With the aim of internationalising the RMB, China has been implementing a series of supportive measures ranging from expanding RMB trade settlement to all countries/districts to allowing offshore RMB financial products.

In promoting the internationalisation of the RMB, Hong Kong as a financial centre has been playing a key role in developing various kinds of RMB business and is designated as the de facto settlement, clearing, trading, and investing centre of RMB.

Hong Kong's RMB business has recently made significant progress. Soon after the Chinese mainland announced the expansion of the RMB Trade Settlement Scheme, PBOC and the RMB Clearing Bank signed the Settlement Agreement. The recent PRC supportive measures support growth of RMB trade settlement and also attract more RMB deposits into Hong Kong. According to the Hong Kong Monetary Authority, RMB deposits in Hong Kong increased from approximately RMB64 billion at the end of January 2010 to approximately RMB408 billion at the end of February 2011.

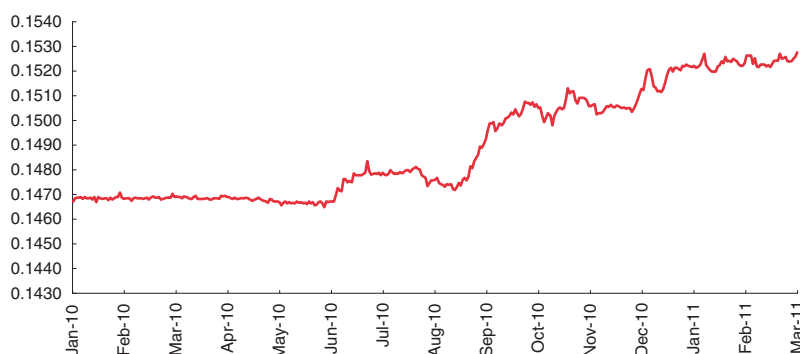
The chart below sets forth the amount of RMB deposits in Hong Kong from January 2010 to February 2011:-



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Furthermore, China plans to further boost the flexibility of the RMB exchange rate and improve the RMB exchange rate mechanism. In January 2010, the exchange rate of RMB to US dollars was approximately RMB1 to US\$0.1467. The exchange rate of RMB to US dollars subsequently appreciated to approximately RMB1 to US\$0.1527 by the end of March 2011. The table sets forth the exchange rate of RMB against US dollars and HK dollars from January 2010 to March 2011.

**Exchange rate RMB:USD
January 2010 to March 2011**



Source: Hong Kong Monetary Authority

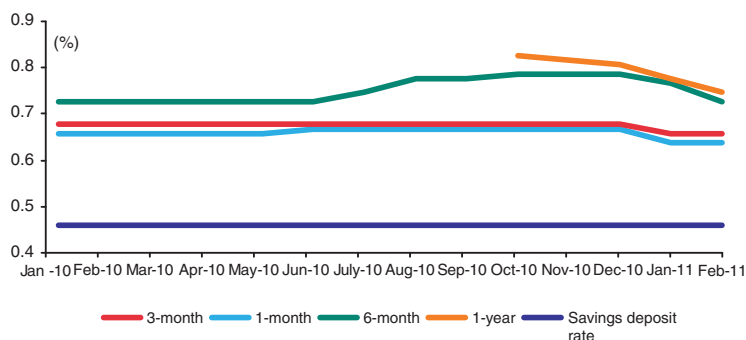
**Exchange rate RMB:HKD
January 2010 to March 2011**



Source: Hong Kong Monetary Authority

Allowed by recent policy, Hong Kong licensed banks can invest in the China interbank bond market which offers higher yields than Hong Kong, bringing higher return rates and driving the RMB deposit rate to increase in Hong Kong. The chart below sets forth the interest rate of RMB deposits in Hong Kong from January 2010 to February 2011 :-

RMB Deposit Rates in Hong Kong from January 2010 to February 2011



Source: Hong Kong Monetary Authority